

TOWN MEETING



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"HOW MUCH SHOULD GOVERNMENT COMPETE WITH PRIVATE INDUSTRY?"

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Moderator:

GUNNAR BACK



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BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

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"HOW MUCH SHOULD GOVERNMENT COMPETE WITH PRIVATE INDUSTRY?"

ANNOUNCER: TOWN MEETING tonight originates from the 1955 Movers Annual Assembly at the Mayflower Hotel in Washington, D. C., arranged by the Movers Conference of America and 64 affiliated associations. The Conference is a non-profit voluntary membership, national trade association serving some 4,000 movers throughout the United States and Canada. Operations of these interstate and irregular route carriers are regulated by the Interstate Commerce Commission in order to preserve the free flow of interstate traffic. Interstate movers constitute about one-fifth of the motor carrier industry regulated by the Commission. The Movers Conference of America acts as "The Voice" of the household goods mover whether it be in matters involving its interest with the Interstate Commerce Commission, Capitol Hill, various Governmental agencies or the problems of shippers and individual movers within the industry. Much time is devoted in assisting movers to provide the most efficient and safest service obtainable.

Now to preside as moderator of our discussion, here is the well-known Washington commentator, Gunnar Back!

MR. BACK: To tonight's TOWN MEETING question, "How Much Should Government Compete with Private Industry?" -- the answer of the present administration here in Washington is: "hardly at all."

Almost immediately, on President Eisenhower's election, there was enunciated a policy which can be expressed, I think, in these words by the House Congressional Committee on Government Operations: federal agencies have entered into so many business-type activities that they constitute a real threat to private industry -- they imperil the tax structure and are, in many industries, a step to socialization. Therefore, the federal government should, as a general policy, keep out of and get out of competitive business operations.

So spoke a committee of the Congress last year, and that's what's been happening, I think, in this administration. The federal government, in particular the Department of Defense, has dropped out of at least a hundred things that it used to do -- such things as roasting coffee and bread baking, rope making and cement mixing, to name a few. The big government lending agency, the RFC, is now out of business. The government's synthetic rubber plants have been sold into private hands and the Hoover Commission keeps bringing in new studies and reports, recommending further liquidation of government functions in favor of private enterprise, even to the extent of taking TVA out of the hands of the government eventually.

Of course, there have been protests against this policy and some very first-class fights also. Some people think in Congress that the change is not going fast enough, others want to put a stop to it. You are familiar with the issues in the case of the offshore oil deposits, with the issues in the Dixon-Yates power controversy, and in the Hell's Canyon fight which is just about to begin in Congress. In the session of Congress just closed, a session controlled by the Democrats, a brake was put on the Defense Department's program of divesting itself of some of its long-time functions to private industry. The department, you will recall, was ordered to come back to Congress for permission to do so in certain cases. President Eisenhower has called this illegal; he says he will not abide by the order until a court proves that he is wrong.

These are some of the things two members of Congress -- Representative Charles B. Brownson, Republican of Indiana and Representative Thomas L. Ashley, Democrat of Ohio -- will go into tonight on TOWN MEETING as we debate the question "How Much Should Government Compete with Private Industry?"

Congressman Charles Brownson, Republican of Indiana, is a member of the Government Operations Committee of the House, and I believe he fully endorses its recommendation.

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of last year that the government should get out and keep out of competitive business operations. Reduced federal spending and increasing government efficiency have been Representative Brownson's consuming interests in three terms of Congress, as I can testify to as a reporter during those years on the Hill. He is a businessman back in his home town of Indianapolis, an officer veteran of the last war, and a veteran too of other TOWN MEETING debates on subjects like this. So, welcome back to TOWN MEETING, Representative Charles Brownson of Indiana.

REP. BROWNSON: Ladies and gentlemen, the very way that this question is stated -- "How Much Should Government Compete with Private Enterprise?" -- enables me to say, not at all, -- if you put the construction on the word "compete" which I do. That implies very definitely that government and private enterprise are trying to do exactly the same thing. That removes the element which sometimes enters into these discussions, the element that there are certain projects which government must take on because private enterprise cannot take them on. So if we discuss how much should private enterprise and government get in outright competition, the answer in my opinion is none.

President Eisenhower made this very clear in the 1952 campaign when he said in St. Louis on September 20, 1952, "to bring government closer to the people, we will set up these principles and adhere to them -- that no federal project, large or small, will be undertaken which the people can effectively do or be helped to do for themselves -- that no federal project will be undertaken which private enterprise can effectively undertake -- that no project and no program will be started on the federal level which can be undertaken and effectively carried through on the state and the local level." So, as this administration took over the government in 1952, we found the government engaged in competition with private businesses, including many that Gunnar Back has named, and such other programs as the manufacture of fertilizer, lumber, mail bags, locks, helium, titanium, zirconium, ~~flags~~, oil, sleeping bags, false teeth, metal supplies, spectacles, ice cream, maps, paint, ammunition, clothing, furniture, magnesium, ships, rope, chlorine, operation of rail, air and marine transport, trucking, moving, blue-printing, insurance, warehousing, 71 meat-cutting plants, hotels, restaurants, laundries and dry-cleaning establishments and scrap processing -- just to name a few.

My position on this government competition with private enterprise is a simple one. Let's sell them to private enterprise where they belong. Where facilities do exist, let's sell them at a rate which will insure a fair return to the federal government and let's take the \$15 billion to \$35 billion which various experts estimate will result and apply it on the national debt -- get more taxes from our private enterprise people who are working in these fields replacing government, and give them a debt reduction in addition to removing the competition.

MR. BACK: Thank you very much, Representative Brownson of Indiana.

The name James M. Ashley is already written in history as that of a Civil War Congressman and the first Governor of the Northwest Territory. Tonight, we introduce his great-grandson who is also a Congressman serving his first term here in Washington. Congressman Thomas Ludlow Ashley is a Democrat from Ohio, World War II veteran of the Pacific, a lawyer and a one-time member of the staff of Radio Free Europe, so let's hear what you have to say on this subject tonight, Congressman Thomas L. Ashley of Ohio.

REP. ASHLEY: Thank you. It is a pleasure to be on AMERICA'S TOWN MEETING OF THE AIR and to discuss the matter of government competition with private enterprise. I might say at the outset, however, that the question "How Much Should Government Compete with Private Enterprise?" is a little like asking how often a man should beat his wife. If I were to answer both of these questions by saying that it all depends on the circumstances, I would become suspect on the one hand as at least an occasional wife beater and on the other, as a partial disbeliever in our private enterprise system and, naturally enough, I don't believe that either of these conclusions is accurate. In the first place, I happen to be a bachelor which makes even occasional wife beating a little difficult and, in the second place, I believe very implicitly that private enterprise,

properly regulated, is the most successful economic system in history. The question of whether certain activities should be performed by private enterprise or by government obviously can't be answered by sweeping generalities or by broad conclusions. The proposition that government should get out of any activities that private enterprise can perform is, to me, as extreme and as illogical as the notion that government has a blank check to engage in any activity which it chooses to enter.

It seems to me that the first thing that we have to do in approaching this question is to keep an open mind. Instead of starting with the conclusion that government should relinquish all the functions which private enterprise can handle, I think a more valid approach is to look to the particular activity in which the government is engaged whether it be defense, public housing or what not, and to explore the reasons for this activity, determine the justification, if any, and then reach our conclusion as to whether our national interest is best served by having the particular function performed by private enterprise or by government. In short, I agree with Confucius that nothing is more dangerous than a foregone conclusion.

Now, in the area of national defense, there is no question but the federal government is busy developing and manufacturing a number of items for our armed forces which private industry could produce. For example, ever since 1775, exactly 180 years ago, the Army has been manufacturing uniforms at the Army Quartermaster Clothing Factory at Philadelphia. The same thing is true in Boston where, for nearly 100 years, the Navy has developed and manufactured special fibre and rope to meet its specialized needs. Now, does the mere fact that private industry also produces clothing and rope automatically mean that these government activities should be discontinued? To me, the answer is clear. Where our defense establishment is concerned, the basic question is not whether private enterprise can do a particular job, the question is whether our national security is best served by a given job being performed by civilian employees of the Defense Department, or whether this interest is best served by letting the work to a private contractor. Can private industry, for example, assure the same uninterrupted production as that of government employees? Can it get into emergency production on short notice? Does it offer research and development facilities which can be devoted exclusively to keeping us the best equipped force in the world? Can it guarantee the availability of production specialists who work exclusively on military items? If private industry can meet these tests and can do so economically, then certainly government should give way but I think we've got to realize that the idea of competition between government and private industry is a double-edged sword. It is true that government should not compete with private contractors if they can do the job economically and in a manner satisfactory to our defense interests. But, by the same token, private industry has no divine right to work which is unique to the defense establishment, which is utilized solely by our armed forces and which requires special skills which are best maintained in civilian employees of the government.

Let me say that I view with a very jaundiced eye the all-out efforts of the present administration to divest government of legitimate activities, especially in the area of defense, on the trumped up charge that they compete with private industry. It may well be that government should get out of certain operations, such as the production of synthetic rubber and I recently supported the sale of these facilities to private industry, but the answer doesn't come from any breast beating for the free enterprise system in which we all believe -- nor does it come from any simple rule of thumb which gives only one pat answer, no matter how different the nature of the operation in which government may be engaged. The answer, it seems to me, comes from looking at the particular facts and circumstances surrounding each government activity and by applying tests which assure fair consideration, not only of private industry but of the American people as well.

MR. BACK: Thanks to you, Congressman Ashley of Ohio. Well, this desk tonight is stacked with documents at every place and Congressman Brownson, I know that you've never suffered from a lack of words so I turn to you first.

REP. BROWNSON: I would like to point out that in the discussion so far, it seems to me that what we're talking about is who has the burden of proof. In other words, does private enterprise get the Go light until such a time as the government proves that there is something they can't do -- or does the government get the Go sign and does private enterprise have the obligation of coming in and proving that it should have a right to take back the functions that historically belong to it. It seems to me that the Defense Department is but one example. As a matter of fact, this thing is happening in every department of the government as the people here in our audience tonight know. Just take a little look at this one statistic to give you an idea of what is going on. Whereas private wealth -- that's the capital that's used to operate all of our businesses, the tax-paying capital in this country -- increased only 78.7% from 1929 to 1948, public wealth increased 278%, or, put on a percentage basis -- whereas in 1929 the public wealth, that's everything that you and I own as taxpayers, represented only 15% of the national wealth, by 1948 the federal government held 27.3% of the total. That's an example of what's happening as you get into all of these business-type activities, rationalizing your position by saying this is something the government can do better but never subjecting that claim to honest, valid actuarial proof.

MR. BACK: Congressman Ashley, Mr. Brownson has spoken twice now, so it's your turn.

REP. ASHLEY: It seems to me, Gunnar, that the charge that government is tremendous and ever-expanding has some validity to it and I don't think that any of us would deny that. However, I think that one statistic perhaps deserves another. Now, it has been estimated by the Hoover Commission that government capital invested in the various enterprises which allegedly compete with private industry exceed \$15 billion, and certainly this is a staggering sum. However, I think it is extremely interesting to consider the fact that the capital invested in private industry at the present time in the country is estimated to amount to some \$800 billion. In other words, the capital which government has invested is some 2% of that which private industry has invested.

REP. BROWNSON: Of course, I wish that capital were the only consideration. I have been all over the country, looking into these government-type operations. In the 82nd Congress I was back in the coffee roasting plants, in the tire retreading plants, in the automobile overhaul plants at the Atlanta General Depot. I find that every time they buy a new machine for a government shop, they increase their table of authorized personnel so that they have an operator for the machine. That's one of the places where this tremendous federal empire of ours gets started. They were unable to explain to us any reason at all why private contractors couldn't rebuild these automobiles and rebuild the tires, just as the gentlemen in our audience have their own equipment rebuilt by private operators. And when we went to check the cost, this is what frightened me -- they gave us a cost that was only 60% of what private maintenance would have cost but they didn't take into consideration anything for the building, there was no amortization of any of the equipment or machinery, and they considered the scores of military personnel would be on the payroll anyway and didn't charge them against the operation. Obviously, there was no tax charged against the operation. So when you get it down on a fair basis the contention that private enterprise or capital supported industry can't compete just doesn't hold water as far as cost is concerned.

REP. ASHLEY: Congressman Brownson, I have a great deal of respect for your abilities, I've certainly seen you in action, -- I will say one thing, however, that as regards this particular issue, it doesn't seem to me that you can logically generalize from the particular. Now, certainly, it's possible to cite examples of waste which should be corrected and I don't think that anybody will argue that it shouldn't be corrected, but I think for you to cite individual examples and then to generalize right across the board from that is a little misleading. Now, for example, it would be possible for me to come right back at you and say that not long ago AT&T, the American Telephone and Telegraph, offered to take over complete communication systems, telephone exchanges, etc., at the United States Naval establishments, at a price equal to 1/3rd the book value

carried by the Navy and to operate it for the government, yet AT&T operating costs in the first year would have exceeded Navy costs by twice, so I don't think that we can simply generalize on this subject. I think that we have to talk about a particular government activity, a particular function and decide on the merits whether government should be in that activity or whether it should be turned over to private industry.

REP. BROWNSON: Now I'm confused. You say you want to take a particular activity and discuss it on its merits and yet, when I discuss a particular activity on its merits you say that we've got to generalize. When you come down to your American Telephone and Telegraph, and the telephone exchange down there, I went into that case in some little detail and, in my opinion, the military didn't add their whole payroll in, they didn't add their overall costs and they certainly didn't add anything to make up for the tremendous burden of taxes which American Telephone & Telegraph have to add to their operating statement and, as a result, the dice are loaded in every one of these examinations and they've been loaded up until the present administration in favor of big government and not in favor of the small business.

REP. ASHLEY: Let me ask you one fast question. Do you think that the dice were loaded in favor of government when the Hoover Commission conducted and finished its recent surveys. It seems to me that of all the prime examples of loaded dice in favor of industry, that was it. All we have to do, after all, is look at the makeup of the commission. All you have to do is look at who headed the various.....

MR. BACK: I wonder whether, before we go into the Hoover Commission and the makeup of that commission, whether we can't go into a number of matters that occur to me in connection with what we have said so far. Now, Mr. Ashley has said that he doesn't believe that there is any divine right involved by which, because a private industry can do something the government is doing, it is, therefore, necessary to give it to private industry. I don't think you agree to that, Mr. Brownson, but I'd like to have you state for the sake of our audience tonight what is the value of taking a function out of the government and returning it to private industry. Let's begin with that and debate that for awhile.

REP. BROWNSON: I think it has a three-fold value. For instance, in the case of the uninterrupted production which was referred to tonight. What does that mean? That means that labor can't ever strike against the government. Well now I wonder if that is a good argument for government enterprise on the basis that that is a strike-breaking, labor breaking type of activity. In the second place, it seems to me that the government operations justify themselves, for instance, in the research and development field -- largely on the work that is contributed by experts who are recruited from industry. I'm particularly thinking of the magnificent Bell Telephone laboratories and the contributions they have made to the Signal Corps. The Signal Corps. certainly wouldn't maintain that they could have done that work at Monmouth alone. And for those reasons, it seems to me that private industry should have an edge, even under the Constitution more or less. The government is restricted to take to itself only powers that solve problems than can't be solved at any lower level of government or in any lower level of business activity and, for that reason, I think the burden of proof is on government in every case where they do compete.

REP. ASHLEY: Congressman Brownson has said that the burden of proof is on government. I don't really think that this is necessarily so. It seems to me that in many instances the burden of proof can be placed quite properly on private industry to show that it can do the job and do it in a manner which is in the best public interest. Now, he has also said by way of example that in the area of defense we should not necessarily favor production by federal employees who, after all, do not have the right to strike. It seems to me that our defense interest, which has become more and more paramount in recent years, to a considerable extent requires and demands that emergency production, which is what we will be subject to in the event of hostilities, must be uninterrupted and certainly one way to effect that is to have the work done, at least in some areas, by civilian employees of the Defense Department who do not have the right to strike but do have the privilege really of producing goods for national defense on an uninterrupted basis. I think as far as research and development is concerned,

which Congressman Brownson also mentioned, that it may well be true and is true to my positive knowledge, that private industry has done tremendous things as far as development of many, many different items for the Army, the Navy and the Air Force -- but because they do excellent work and very unselfishly in some instances, I don't think that it necessarily means that they do it in every instance. Now, it's true, certainly, that quite recently the Navy developed a variety of paint which would not have been discovered or produced, developed, by private industry. It is good only for naval vessels and it was developed simply because there was uninterrupted attention on the part of research and development technicians who were working exclusively for the United States Navy.

REP. BROWNSON: When you get in the paint situation, you come very close to home.

REP. ASHLEY: I was going to bring up wallpaper too.

REP. BROWNSON: As a matter of fact, I quite agree with the government doing research in the paint field, but that doesn't mean to me that the government has to make the paint after the research is completed -- nor does it imply that a research grant could not have been given to a private university chemical department to do the same thing. What worries me is this -- research costs money. You paid a very glowing tribute to the research conducted by private enterprise but if the government competes with them, gives them no chance to make profits, where are they going to get the money to expand their research facilities? That money is dependent very much upon their making profits and they don't make profits when you give the government the business that they deserve. I might say that gives them the "business" in the other sense of the word.

MR. BACK: Let's go back now to the three points made by those that contend that private industry should do many of these things. The first point is that it will reduce federal spending if private industry does it. The second point is that there will be a tax income that's not available when the Navy, for example, makes paint. Third, it will check a trend towards socialization. Do you see a trend towards socialization in any of this, Congressman Brownson, -- it would work from the rear forward?

REP. BROWNSON: There very definitely is and, of course, it's an alarming trend for this reason. If every year we fight socialization and we fight it 95% effectively, we think we've done a wonderful job, but do you realize that if you just get an increase of 5% a year, in 20 years you've got the whole goal for those who would have government take over all of the productive capacity of the country. That's why this slow creeping thing is so extremely dangerous and, of course, the emergencies we've had when we have said let's produce the stuff regardless of how we do it has resulted in a tremendous buildup that, unless it is stopped now, is moving slowing and irrevocably toward government ownership.

REP. ASHLEY: I quite disagree with the Congressman from Indiana on that point. I think that with respect to this so-called "creeping socialism" I think that we're really fighting windmills. I haven't met, since I've been in Washington, anyone who isn't a complete and a sincere believer in the free enterprise system. I think that as we sit here this evening we all appreciate the fact that we are the grandest nation in the world, we have a standard of living unequalled by any other country in civilization. Now, this is partially due to our free enterprise system and, in a large respect, due to our free enterprise system. I say this, however, that it is also due to government operations in many fields and it is the partnership of private industry and government which has made us what we are. I think for us to fight the windmill of socialism is to completely cloud the issue. I think we should speak specifically and not in broad generalities.

REP. BROWNSON: This partnership scares me. It's kind of like the horse and rabbit pie. One horse and one rabbit. The tendency that alarms me is this -- government of any size can always control big business and always has but there is no force on the face of the earth that can control big government.

REP. ASHLEY: Well I question that. Under our form of government it seems to me that the people can control government and have done so for well over 150 years.

REP. BROWNSON: It took them 22 years to wake up once.

REP. ASHLEY: I hope it won't take as long the next time.

MR. BACK: Okay -- that's out of the way. We have our prize-winning listener question and I think I better get to that. This week's winner of the American Peoples Encyclopedia is Lucy P. Malloy who lives in Royersford, Pennsylvania, and this is the question she submitted for both of you: "If public owned business were required to operate under the same rules as private business, that is, pay taxes and all other costs except dividends to stock holders, would it be fair to have at least one publicly owned unit in each industry to serve as a measuring stick?" Did you follow me on that, Mr. Brownson?

REP. BROWNSON: Yes, and my answer is No, and the reason I say No is because you leave out your dividends to your stockholders. That's the life blood of private business. Now, don't think that this federal government equipment that you've got doesn't pay dividends. It pays dividends and costs you money accordingly because we're paying 3, 3½ and 4% for some of the money that's invested in the stuff. Therefore, on that basis, I believe that your private enterprise system -- if they're going to have a laboratory setup like this in order for it to be fair and not stack the dice -- should certainly be entitled to a fair return on the money which is invested by people who have denied themselves things they want in order to build capital for productive capacity.

REP. ASHLEY: Strangely enough, I again disagree with the Congressman from Indiana. I think, Miss Malloy, that it would be fair to have at least one publicly owned unit in each industry to serve as a measuring stick and I think that a good example of the effectiveness of such a yardstick has been demonstrated by the Tennessee Valley Authority. Now, over the years the effect of TVA on the surrounding area has been perfectly stupendous -- far from depriving private power from operating in and around the six states that make up the TVA, private power has done better in that area than it ever did prior to TVA times. I think that what Congressman Brownson said about the cost is interesting. I note that in the fiscal year 1954, TVA power revenues were some \$134 million -- a return of some 3¼%. Now.....

REP. BROWNSON: That is a fallacy and you know that, because your kids and my kids, in the form of the national debt, are going to pay the subsidy that's behind that TVA power for their lives and most of their childrens'.

REP. ASHLEY: I don't quite agree with that, Congressman. I think that some \$20 billion has already been paid back by TVA to the government and more money is coming in all the time.

REP. BROWNSON: Was any interest ever charged on that money?

REP. ASHLEY: I think eventually the government will recoup. That certainly is the way that the Authority is set up.

REP. BROWNSON: I'd like to start a corporation where the government furnished all the capital without interest and then let me compete with people who have to pay interest.....

REP. ASHLEY: Well, do you want to go back to the time when TVA was set up when 3% of the area, and that comprises six large states, was electrified. Why, for heavens sake, today some 93% has electric power as compared to 3%, not much more than 20 years ago.

MR. BACK: Gentlemen, I think I'm going to have to ask you to depart from TVA as this juncture, because I want to turn to our audience here, interesting as this subject is. Perhaps I might put the period on it by asking you, Mr. Brownson, in line with your own feeling about getting the government out of these things, would you eventually favor restoring TVA to private hands, or putting it into private hands?

REP. BROWNSON: Over a period of years I think the transition could be worked out without anybody suffering in the slightest from doing it. I certainly can't see why the people in Indiana or Ohio should pay part of the electricity bill for the people in Tennessee.

MR. BACK: I presume, Mr. Ashley, that you don't agree.

REP. ASHLEY: That's an excellent presumption.

MR. BACK: Can we leave it there?

REP. ASHLEY: If you insist.

MR. BACK: Thanks very much. I want to turn to the audience here in Washington, D. C., at this convention of the Movers Conference of America. I note that Thomas R. Kingsley, the Director of Research for the Movers Conference of America is standing at the microphone. Will you ask your question please?

MR. KINGSLEY: Thank you, Mr. Back. We, in the moving industry, necessarily have to give this subject considerable study. The question I have has to do with this: it is generally considered that the government is engaged in two categories of business enterprise -- those which serve the government itself which are determined by administrative action and those which serve the general public and are constantly determined by legislative action. My question is this: would it not be better for Congress to weigh the necessity of every type of competitive government enterprise?

REP. ASHLEY: Mr. Kingsley, I quite agree that those commercial type activities should be weighed by Congress and it was for that reason that I supported an amendment, or rather a recent appropriation bill, which would effect just that kind of review. I think that government should get out of those activities which compete in the sense of the word that Mr. Brownson suggested. I do think, however, that the situation in each instance should be subject to review by the Congress.

MR. BACK: Perhaps, Mr. Ashley, since you have brought up that amendment, we ought to identify that a bit more fully. In other words, this past Congress just said to the Defense Department -- I think I'm correct on this -- that if you want to go out of an activity that you have been traditionally performing, and want to hand that over to private industry, you must come to the committees of Congress and find out from them whether it is okay. That's the limitation that has been put on the Defense Department?

REP. ASHLEY: That is correct.

MR. BACK: All right, and you're in favor of it. Mr. Brownson, how did you feel about that Section 638, as they call it?

REP. BROWNSON: In the first place, it was brought up in such a fashion that it's a case where the Appropriations Committee is putting legislation on an appropriation bill, which is contrary to every authority on good government anywhere. In the second place, it is a clear encroachment of the Congress on the executive prerogative. President Eisenhower signed the bill but he sent one of the hottest messages to Congress that I have ever seen out of the White House, in which he said "I am advised by the Attorney General that Section 638 constitutes an unconstitutional invasion of the province of the executive." After all, the executive has the broad policy set by Congress but when it comes to eliminating one national park, restaurant, or anything like that outside of defense, or one defense activity, it's certainly silly to set this road block in the way and they can come up to both Houses of Congress and justify an operation in the interest of saving to the taxpayers.

MR. BACK: Mr. Brownson, you are saying in effect that the executive -- the President as the executive -- has the authority to tell the Defense Department it can get out of these things whenever it wants to, without Congress saying "No, you must come to us." Is that what you are saying?

REP. BROWNSON: The general position is that Congress has the right to give the Executive the money or not, as they see fit, and to prescribe the overall policy, but they don't have the right specifically to tell him what he is going to do with the money on a matter of individual cases like this.

MR. BACK: I didn't mean to interfere with the question from the floor but I wanted to get Section 638 out of the way because I knew it would come up. Mr. Ashley, do you want to make a quick comment on that?

REP. ASHLEY: I might simply say that I see the necessity for this section in the very fact that the administration appears to me to start from a sweeping conclusion without prior analysis. In other words, it says, and I can quote what former president Hoover says which bears me out completely -- that free enterprise is our basic economic system. That's true. He says, "therefore, government should get out of all activities which the people can't do for themselves." Now I think that, as I said in my earlier statements, that each activity should be subject to close analysis and I think it is

because the present administration is not subjecting, to my satisfaction, each activity to close analysis that I see the necessity for this section.

QUESTIONER: I am Herman Bader of Brooklyn, New York. Congressman Brownson, as a taxpayer I am interested in knowing how much the government expects to save by not competing with private business and enterprise?

REP. BROWNSON: The estimates are very positive. The Hoover Commission made some estimates and likewise estimates have been made by private groups surveying the field but actually, to get right down to cases, it look very much like besides returning the capital investment of \$15 billion to the Treasury, that the saving will run into an additional \$8 billion or \$10 billion over a period of the balance of this administration, if we could do it overnight.

MR. BACK: You mean that is achieved by making tremendous sales of government property, selling a thing as big as the TVA?

REP. BROWNSON: No, I.....

REP. ASHLEY: The balance of this administration -- you said how much -- \$8 billion or \$10 billion?

REP. BROWNSON: I said there could be an \$8 billion or \$10 billion operating cost saved if all of the Hoover Commission recommendations....

REP. ASHLEY: If we cut out supporting farm crops, etc., is that what you're talking about?

REP. BROWNSON: Oh, no.

REP. ASHLEY: Well it certainly is, if you're referring to the same Hoover Commission Report that I am. I don't understand the basis of those figures one bit. \$8 billion or \$10 billion in the next year and a half?

REP. BROWNSON: I said if the whole Hoover Commission report were put into action immediately, it would result in that savings. It's the same figure you're talking about.

REP. ASHLEY: Do you favor that?

REP. BROWNSON: No -- the man asked a question of how much it would save if the government got out of all of these activities. I don't favor getting out of the farm situation by any means.

REP. ASHLEY: I didn't think you wanted your people back in Indiana to think that.

QUESTIONER: I am F. L. McKee, President of National Van Lines. I have a question for Mr. Ashley. If private enterprise can be trusted to handle defense equipment such as airplanes, why not uniforms and like articles?

REP. ASHLEY: I am sorry to say that I don't -- I find it very difficult to draw parallels. It may well be that private industry, and I think it is true, is doing a fine job in aircraft production. I don't think that simply because the aircraft production people are doing well in their particular activity, that it necessarily follows that the Army should cease production of military clothing, for example. Now there are facts that I think tend to support this. During the last war, the validity of having the government in business as far as producing Army clothing is concerned, was proven time and again and it was proven at the outbreak of the Korean War. You've got to remember that when we speak of Army clothing, we're not just talking about your average Class A uniform, you're speaking about the development of very specialized parkas, of aviator equipment, etc., and it seems to me that the people who can best develop this and who should be developing it because of their uninterrupted attention to all of the technical aspects, are the Army personnel, the aircraft personnel, etc.

REP. BROWNSON: Well, of course, there is a very direct answer to that. In the first place, the assertion that you made that only the government could have done it has not been proved and then I like to think of the Army overcoats investigated by the Riehlman subcommittee about a year and a half ago, with flaps on them that wouldn't button up, and a design that a soldier wouldn't wear, developed by the Army when they were in one of their moods when they were thumbing their nose at the private clothing industry. I don't think there is any record of great omniscience and brilliance on the part of the government planners in that field of military clothing at all. On the other hand, I don't like Mr. Lev's operation in Chicago.

QUESTIONER: I am William Moen from California. Congressman Brownson, what is the future of the Hoover Commission report?

REP. BROWNSON: As I understand it, about half the report can be implemented administratively, the other half takes legislative backgrounds. This report is much more sweeping than the first. This report deals with policy areas where the first report dealt only with efficiency of operation. In my opinion, it will take a much longer period of time to implement this report and I think there are large areas of it that will never be implemented because there are parts of it that make some very tremendous changes in our economy and those changes can't be made until the people are ready for them.

QUESTIONER: My name is J. C. Aspinwall, Jr. of Norfolk, Va. Congressman Ashley, does it necessarily follow that in the long run, government can save tax money by producing certain items for its own consumption as against volume on the private market?

REP. ASHLEY: Yes, I think in some instances it definitely does follow. After all, there is no question but what our free enterprise system is rooted in the profit motive.

QUESTIONER: Would it follow generally?

REP. ASHLEY: No, not generally, I don't think so -- and to the extent that it doesn't follow, believe me, I am very much in favor, under particular circumstances, for government to get out of those operation.

QUESTIONER: My name is William LaPage of Chicago. Congressman Brownson, will the government first investigate private enterprise, their capabilities to handle a job before turning a job over to them which the government has previously been handling?

REP. BROWNSON: Certainly, and that is the function of the Bureau of the Budget and of the individual department concerned. These areas are being investigated in very great detail and the private enterprise does have to prove they can handle the job before they get it.

REP. ASHLEY: Might I just say something on that. The Hoover Commission estimates that there are some 2500 activities in which government is competing with private industry. However, it has only looked into approximately 900 or 1000 of these and yet it has made its recommendations -- rather broad and sweeping recommendations -- on the basis of a half-baked job.

REP. BROWNSON: I think he is talking about the government actually effectuating these things, not the recommendations of the Hoover Commission.

REP. ASHLEY: It seems to me that the two go pretty much hand in hand. I would certainly answer that question differently from you, Congressman.

QUESTIONER: I am Russ Garrett of Detroit, Michigan. Congressman Ashley, some government agencies perform a great amount of moving service with government vans and government personnel. Do you think that they should be made to prove that they can do it more economically than commercial movers, or else surrender that business to the movers?

REP. ASHLEY: Yes, I certainly do, sir. I think that is one category, and a fine example too, of exactly where the government should prove that it cannot compete with movers. I think that if movers come in and show that they can do the job cheaper, they certainly should have the work and I am speaking mainly of household effects.

QUESTIONER: I'm Herbert Neal of Cleveland. Congressman Brownson, do you think the vast warehouse empire of the Defense Department can be converted to private enterprise economically?

REP. BROWNSON: I think it can be converted. How economical it will be, I don't know. The government is the greatest squirrel in the world, you know, cashing away everything. As a matter of fact, we've got warehouses full of stuff that is comparatively obsolete and we've got other new equipment that is standing out in the weather but I certainly believe that the use of the private enterprise warehousing industry in solving this problem for government is mandatory and steps must be taken in that direction. The government isn't doing too well on their own program.

REP. ASHLEY: I do think it is interesting that last December, a Navy directive was handed down which said that the economy criterion should not be considered too

heavily as far as considering whether a particular activity should be performed by government or by free enterprise. I think that's quite interesting that they don't give the taxpayer just a little bit more consideration.

REP. BROWNSON: Well, of course, when they use a yardstick to measure it by that is only 28 inches long, because the government doesn't pay any taxes, overhead or personnel out of that fund, it's very hard for them to determine the economy.

REP. ASHLEY: You know the directive I'm referring to, don't you, Congressman?

REP. BROWNSON: Yes, and I'm in agreement with it.

QUESTIONER: I'm Robert L. Sicking of Cincinnati. Congressman Ashley, will the government follow the advice of the Hoover Commission.

REP. ASHLEY: I don't think that Congress will follow the recommendation of this last Hoover Commission. I might just state why I don't think so. For example, here are some of the recommendations of the Hoover Commission. They recommend termination of credit loans to farmers made by the Commodity Credit Corp., termination of loans to American firms in foreign trade, termination of loans to colleges for student and faculty housing, termination of loans to veterans for home and farm improvements, termination of loans to public housing authorities for low rent projects -- this list just goes on and on and, believe me, I think that Congress will not enact these recommendations.

QUESTIONER: I am Henry Retzer. Congressman Brownson, don't you feel that government in business stifles the good old-fashioned American competitive system?

REP. BROWNSON: Of course, it certainly does.

QUESTIONER: I'm Harold Blaine of Los Angeles, Congressman Ashley, even with the government in competition with us, private industry is transporting government shipments at reduced rates. Do you think the government is entitled to these concessions any more than an individual or a corporation?

REP. ASHLEY: I find that question difficult to answer because I'm not nearly as well informed, naturally enough, on the particular function you are referring to. I think your question is well directed, however, and I think that in the event.....

REP. BROWNSON: I would say that if that reduced rate is a result of bidding between members of your own industry, that that's an industry practices problem calling for better cost accounting, that the government can't do very much about. However, I don't believe that aside from quantity considerations the government should have any unfair type of a break over a corporation or any other operator providing that, of course, I don't believe in collusive bidding any more than you do.

QUESTIONER: I'm Mr. Mapes of Ft. Wayne. Congressman Brownson, there have been many questions about steps taken for government to get out of private enterprise. I would like to know some of those steps.

REP. BROWNSON: Well, for instance, we sold the rubber plants and made a nice profit on them -- we sold the barge lines which have been losing money for 34 years -- we sold the Bluebeard Castle Hotel in the Virgin Islands which has been a White Elephant -- it's a very impressive list. There are some 99 in the book that I have been quoting from that have been sold since I came into Congress.

QUESTIONER: I am Ray Smart of Portland, Congressman Ashley, a bill just passed permits the armed services to use commercial warehouses for storage of household goods. Do you expect the armed services to immediately take advantage of this bill?

REP. ASHLEY: I am sorry but I am not in a position to answer that intelligently. I'm not informed on the activities in detail.

REP. BROWNSON: I expect that with Charlie Wilson as the Secretary of Defense and people like Wilber Brucker as Secretary of the Army, with people who have been successful in private enterprise, that they will certainly implement this instruction.

QUESTIONER: I'm Arthur Smith, Jr. of Washington, D.C. Congressman Brownson, do you think that Congress will ever pass a separate bill which will put the United States Congress on record as opposing government competition with private enterprise?

REP. BROWNSON: Yes, when you get another Republican Congress.

MR. BACK: Thank you, Congressman Brownson of Indiana and Thomas L. Ashley of Ohio. Thanks to our hosts, the Movers Conference of America, especially to its General Manager, James F. Rowan and to Miss Mona Keating. Thanks also to the staff of Station WMAL, ABC in Washington.